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SUBJECT: EMBASSY MINSK WEEKLY POL/ECON REPORT - MAY 11, 2007

11. The following are brief items of interest compiled by Embassy Minsk.

TABLE OF CONTENTS

International Relations

- EC Office in Minsk Not Sign of Softness on GOB (para. 2)
- Lukashenko Ratifies Kyoto Protocol (para. 3)

Civil Society

- Supreme Court Liquidates Prominent NGO (para. 4)
- Entrepreneurship Forum Organizers Denied Venue (para. 5)
- Civil Society Activist Detained in Northern Belarus (para. 6)

International Trade and Investment

- Beltransgaz Amends Its Charter for Gazprom (para. 7)
- Belarus' Cigarette Imports Up 20.5 Percent (para. 8)

Domestic Economy

- Final Consumption Exceeds 72 Percent of 2006 GDP (para. 9)
- Domestic Goods Capture 76 Percent of Retail Sales (para. 10)

Society

- Independent Campaign to Save Historic Grodno (para. 11)
- QUOTE OF THE WEEK (para. 12)

INTERNATIONAL RELATIONS

12. EC Office in Minsk Not Sign of Softness on GOB

Upon his arrival in Minsk on May 7, European Commission Delegation to Ukraine and Belarus First Counselor Jean-Eric Holzapfel told Belarusian independent media that the opening of the European Commission's Minsk office would not prompt the European Union to ease its political stance on the GOB. He described the GOB's decision to grant permission for the opening the office as a positive step but also as a normal step under the Vienna Convention.

Holzapfel also said that the Belarusian authorities should take other positive steps, including the release of Belarus' political prisoners. He added that the potential exclusion of Belarus from the EU's Generalized System of Preferences was not a sanction but a result of systematic violations of trade union rights in the country. During his visit, Holzapfel met with GOB State Border

Troops Committee Chief Igor Rachkovskiy and delivered a speech at Belarusian State University on the 50th anniversary of the Treaty of Rome.

13. Lukashenko Ratifies Kyoto Protocol

On May 4, President Lukashenko signed an ordinance to ratify the Kyoto Protocol. The GOB has committed itself to cut greenhouse emissions to 117.2 million tons, or 92 percent of the 1990 benchmark year. The GOB reportedly plans to trade up to 30 million tons worth of emission quotas annually, and to participate in international projects to reduce greenhouse gas emissions.

CIVIL SOCIETY

14. Supreme Court Liquidates Prominent NGO

On May 4, independent news agencies reported that Belarus' Supreme Court ordered the liquidation of the prominent NGO "Belarusian Literature Fund" for an alleged series of violations of the law since its registration in 1992. NGO Chairperson Aleksandr Danilchik informed the media that he received a subpoena on the eve of the court hearing, and had no time to study the case. He also noted that court's decision reflects the GOB's approach in stifling opposition writers' organizations and their activities. The Supreme Court judge announced that the NGO will not be able to challenge the verdict and has to reimburse expenses related to the hearing.

15. Entrepreneurship Forum Organizers Denied Venue

On May 6, small business association Perspektiva leader Anatoliy Shumchenko reported to independent media that the hotel administration in the northern city of Vitebsk broke its agreement with the association to host a forum of entrepreneurs at the hotel's

MINSK 00000391 002 OF 003

conference room. Shumchenko said that in spite of an advanced payment the administration explained its refusal due to some technical difficulties and alleged flooding. The organization was previously denied premises at the Vitebsk Trade Union Training Center in April. However, Shumchenko expressed hope that the forum will take place in Vitebsk in the near future.

16. Civil Society Activist Detained in Northern Belarus

On May 7, civil society and youth activist Aleksey Trubkin was detained briefly in the northern city of Novopolotsk for allegedly posting stickers containing "anti-governmental language". Police officers searched Trubkin's personal belongings; however, they did not find any stickers. A BKGB officer reportedly questioned the activist about his studies in Poland and activities of youth organizations in Belarus.

INTERNATIONAL TRADE AND INVESTMENT

17. Beltransgaz Amends Its Charter for Gazprom

On May 4, a Beltransgaz supervisory council member told independent media that the company's special general meeting amended its charter to comply with a new law on economic entities and joint-venture agreement with Russia's Gazprom. Beltransgaz, currently one hundred percent state owned, has to establish a 50-50 joint venture with Gazprom. The GOB wants the joint venture registered in Belarus and all potential disputes to be resolved according to Belarusian law. Under a protocol signed by Russia and Belarus on December 31, 2006, corporate governance at Beltransgaz may start only after Gazprom acquires its 50 percent stake, not scheduled until mid-2010.

18. Belarus' Cigarette Imports Up 20.5 Percent

On May 4, Belarus' Ministry of Statistics reported that Belarusian January-February 2007 cigarette imports jumped 20.5 percent on the year to 312.4 million cigarettes. Approximately 139.5 million cigarettes were imported from the CIS, up 12.3 percent, and 172.9

million units from non-CIS states, up 28.1 percent. Average contract import prices rose 7.6 percent on the year in the first two months to U.S. USD 20 per 1,000 cigarettes. The GOB has set a 2007 quota on cigarette imports at 1.5 billion cigarettes. Belarus' annual consumption, including imports, stands between 16 billion and 18 billion cigarettes.

DOMESTIC ECONOMY

¶9. Final Consumption Exceeds 72 Percent of 2006 GDP

On May 5, sources in Belarus' Ministry of Statistics reported to independent media that the GOB has completed its GDP analysis based on disposal of incomes. According to the analysis, final consumption expenditures accounted for 72.3 percent of GDP in 2006. The share of final consumption expenditures of households and non-profit organizations edged up to 51 percent from 50.7 percent and from 1.3 percent to 1.4 percent, respectively, between 2005 and 2006 while that of public agencies declined to 19.9 percent from 20.8 percent. The share of gross savings increased to 30.4 percent in 2006 from 28.4 percent in 2005. The contribution of net exports (exports minus imports) stood at negative 4.3 percent. In 2005, the figure was 0.7 percent. In terms of income sources, labor compensation, including social security transfers, accounted for 47.8 percent of GDP in 2006, compared with 46.1 percent in 2005. The share of gross economic income and gross mixed incomes declined to 34.5 percent from 35.7 percent. Net production and import taxes [taxes minus subsidies] accounted for 17.7 percent in 2006, down from 18.2 percent in 2005.

¶10. Domestic Goods Capture 76 Percent of Retail Sales

Citing sources close to the GOB, on May 7, independent media reported that the share of domestic goods in Belarus' retail turnover made up 76.2 percent in the first quarter. Sales of Belarusian foods accounted for 84.8 percent of retail sales, and non-foods 64.7 percent. Belarus' January-March retail turnover, including the public catering sector, jumped 20.7 percent on the year to USD 3.7 billion. Private companies' share of total retail turnover stood at 81.3 percent, up 0.7 percentage points on the year for January-March, state companies 15.4 percent, down 1 percentage point, while the share of foreign companies totaled 3.3 percent, up 0.3 percentage points.

SOCIETY

¶11. Independent Campaign to Save Historic Grodno

On May 6, independent media reported that in the western city of Grodno representatives of local intelligentsia and civil society

MINSK 00000391 003 OF 003

activists have launched a campaign in protest of the renovation of the historic old part of the city. Campaign activist Ales Zalevskiy told reporters that in the morning groups of activists assemble at the buildings that the authorities plan to demolish, and stay until the end of the workday to mobilize the public and inform the media in case construction workers start pulling the buildings down. Also, members of the intelligentsia are collecting signatures to initiate a local referendum and to appeal to the prosecutor's office plans to demolish and reconstruct the historic old town.

QUOTE OF THE WEEK

¶12. During his Victory Day address on May 9, President Lukashenko offered insight on GOB ideology and tolerance:

"We have the right to be proud that Belarus protects and respects memorials at the places of battles and the thousands of monuments in cities and villages. That is the guarantee of the fact that our people unlike certain 'democratic' states will never support the ideology of human hatred."

